



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR  
FOR MANAGEMENT

The Honorable Luis A. Luna  
Assistant Administrator for  
Administration and Resources Management  
Environmental Protection Agency  
Ariel Rios North, Room 3330  
Washington, DC 20460

Dear Mr. Luna:

Thank you for agreeing to serve as a pilot agency for the competitive migration of your financial management shared services to either a Center of Excellence (COE) or qualified private sector provider. Competition between the COEs and private contractors will give the Environmental Protection Agency (EPA) the opportunity to compare a variety of solutions and capabilities and select the public or private sector provider offering the best value.

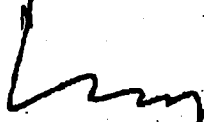
EPA and the Office of Management and Budget (OMB) have agreed that the migration will be conducted consistent with the principles described in the enclosure. These principles seek, in the context of this pilot effort, to ensure that: (1) EPA considers providers with a demonstrated capability, (2) competition is conducted on a level playing field with transparent decision-making, and (3) an appropriate implementation structure is in place to hold the selected provider accountable for results.

To the extent Circular A-76 would otherwise be applicable to the public-private competition conducted under this pilot, this letter constitutes a deviation from the Circular. However, EPA and OMB agree that EPA will consider the policies and procedures of the Circular and, as appropriate, use them to achieve a level playing field that is conducive to both public and private sector participation in the migration competition.

These efforts shall be incorporated into EPA's competitive sourcing competition plan and scorecard milestones for the competitive sourcing initiative under the President's Management Agenda. OMB and EPA will negotiate appropriate credit in EPA's scorecard evaluation for results achieved under the pilot.

EPA's migration of its financial management system presents an opportunity both to improve the efficiency and effectiveness of shared services and to strengthen the stewardship of our taxpayer dollars. OMB looks forward to working with EPA on this important initiative.

Sincerely,



Clay Johnson II  
Deputy Director for Management

Enclosure

### **Lines of Business (LOB) Pilot Migration Guidelines**

The Office of Management and Budget (OMB) and the Environmental Protection Agency (EPA) have agreed upon a pilot to use a competitive process for the migration of financial management shared services to either a center of excellence (COE) or a private contractor. EPA and OMB agree that EPA will follow the principles set forth below to carry out the migration and is granted a deviation from OMB Circular A-76 to the extent the Circular would otherwise be applicable to the public-private competition conducted under this pilot. EPA advises that this public-private competition was publicly announced in FebBizOpps on October 13, 2005. As a result, the requirements of section 842 of the Transportation, Treasury, and Housing and Urban Development, the Judiciary, and the District of Columbia Appropriations Act, FY 2006, are not applicable to this competition. The deviation authorized for this pilot shall expire upon the completion of the migration.

EPA shall report on the results achieved under this pilot as described below.

#### **Guidelines**

1. **Consideration of providers with a demonstrated capability.**
  - a. Migration shall result in the selection of a public or private sector service provider with a demonstrated ability to leverage technology, expertise and other resources to achieve best value for the taxpayer. The provider EPA selects, whether from the public sector or the private sector, must be able to:
    - i. utilize a core Financial Management system that meets requirements issued by OMB (formerly issued by the Joint Financial Management Improvement Program);
    - ii. meet the requirements of the Financial Management Due Diligence Checklist; and
    - iii. comply with any additional applicable requirements regarding: privacy, security, compliance with section 508 of the Rehabilitation Act, continuity of operations, critical infrastructure protection, disaster recovery, service level agreements, and help desk services.
  - b. EPA's consideration of federal service providers shall be limited to those that have been designated by OMB as a COE candidate.
2. **Use of a competitive process.** To maximize the benefit of migration, the customer agency shall compare a variety of solutions offered by COEs and private sector contractors using a competitive process that includes the following elements:

- a. Publication of a solicitation in FedBizOpps that invites *both* private sector providers and COEs to submit offers that will be evaluated in accordance with the same set of evaluation criteria, a single evaluation panel, and a single selection authority. EPA shall post the procedures to be used for source selection on its webpage and provide the cite to its webpage in the FedBizOpps publication.
  - b. Reliance on a performance-based statement of work that gives potential providers wide latitude to offer the best and most innovative solutions to meet EPA's needs.
  - c. A requirement for COEs to identify the full cost of performance.
  - d. Treatment of COE tenders as procurement sensitive.
  - e. Evaluation of offers using a source selection process based on the Federal Acquisition Regulation (FAR) but modified, as necessary, to ensure COEs and private sector offerors are considered on a level playing field. EPA shall look to the policies and procedures in OMB Circular A-76 for general guidance to achieve a level playing field in a competition involving sources from both the public and private sectors. In particular, EPA shall consider, and use, where it deems appropriate, the provisions of Circular A-76 described in the Attachment, many of which already leverage the FAR.
3. Soft landing considerations. EPA's migration plan shall include appropriate mitigation steps to address any adverse actions for its employees supporting the activities to be migrated, including, but not limited to, retraining to support redirection of the workforce to higher priority mission critical activities, and use of Voluntary Early Retirement and Voluntary Separation Incentive Payment authorities.
4. Implementation of an accountability structure. Irrespective of the source selected, the provider must be held accountable for achieving results and the customer agency must take appropriate steps to ensure good stewardship of our taxpayer dollars. Accordingly:
- a. If EPA selects a private sector contractor, the customer must administer the contract in accordance with the FAR. In particular, the customer must: (i) have a quality assurance surveillance plan (QASP) and a team in place to implement the plan, and (ii) evaluate the contractor's performance on an ongoing basis for consideration in future competitions for federal work.
  - b. If EPA selects a COE, the customer and service provider will enter into an inter-agency agreement or "letter of obligation" that clearly identifies the workload, performance levels, the method of quality surveillance, and the cost for performance. A team must be in place to implement the QASP and the agency

must also be prepared to evaluate the provider's performance on an on-going basis for consideration in future competitions.

- c. Contracts and agreements will include performance metrics so that performance of core functions and other value added services can be periodically evaluated and adjustments made where necessary, including consideration of a new public or private sector provider over the longer term if service is not satisfactory.
  - d. Performance standards will include specific exit criteria whereby the customer agency may leave the agreement when there is a failure to perform.
5. **Reporting.** EPA shall report the results of the pilot to OMB for inclusion in the agency's annual competitive sourcing reports, prepared in accordance with section 647(b) of Division F of the Consolidated Appropriations Act, FY 2004, P.L. 108-199. EPA will monitor performance, regardless of the selected service provider, for all performance periods stated in the solicitation.

Attachment

**Table. FAR-Based Techniques to Facilitate a Level Playing Field & Transparent Decisionmaking in Migration Competition**

	Description of FAR-Based Technique	Objective	Reference in FAR
i.	Require all public reimbursable tenders to meet certain criteria (e.g., must respond to requirements of solicitation & include a certified cost estimate, a quality control plan, and a phase-in plan).	Level playing field.	Attachment B, Part D, Paragraph 4.c
ii.	Require that private sector offers and public reimbursable tenders be evaluated together.	Level playing field.	Attachment B, Part D, Paragraph 5.c.(1)
iii.	Require price analysis and cost realism (as defined in FAR Part 2) on public reimbursable cost estimate and private sector cost proposals.	Level playing field.	Attachment B, Part D, Paragraph 5.c.(4)(a)
iv.	Require formal public announcement in FedBizOpps of a performance decision.	Transparent decisionmaking.	Attachment B, Part D, Paragraph 6.c.
v.	Ensure that private sector offerors and public reimbursable sources are offered debriefings in accordance with FAR 15.506.	Transparent decisionmaking.	Attachment B, Part D, Paragraph 6.d.
vi.	Authorize directly interested parties to contest certain actions in accordance with the procedures of FAR Subpart 33.103.	Transparent decisionmaking.	Attachment B, Part F, Paragraph 1.

TOTAL P.07